

**COUNTY OF MARQUETTE, MICHIGAN
FEDERAL FINANCIAL ASSISTANCE
For the Year Ended December 31, 2005**

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ANDERSON, TACKMAN & COMPANY, P.L.C.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Chairperson and Members
of the Board of Commissioners
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the County of Marquette, Michigan as of and for the year ended December 31, 2005, which collectively comprise the County of Marquette, Michigan's basic financial statements and have issued our report thereon dated April 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Marquette, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County of Marquette, Michigan's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 05-2 and 05-03.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly,

To the Honorable Chairperson and Members
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would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Marquette, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 05-1.

This report is intended solely for the information and use of the audit committee, management, and the County Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

April 28, 2006



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Chairperson and Members
of the Board of Commissioners
Marquette, Michigan 49855

Compliance

We have audited the compliance of the County of Marquette, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The County of Marquette, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Marquette, Michigan's management. Our responsibility is to express an opinion on the County of Marquette, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Marquette, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit report provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Marquette, Michigan's compliance with those requirements.

In our opinion, the County of Marquette, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the County of Marquette, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws,

To the Honorable Chairperson and Members
of the Board of Commissioners
Marquette, Michigan 49855

regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Marquette, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Marquette, Michigan, as of and for the year ended December 31, 2005, and have issued our report thereon dated April 28, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County of Marquette, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, and the County Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

April 28, 2006



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INDEPENDENT AUDITORS' REPORT

Honorable Chairman and Members
Of the Board of Commissioners
County of Marquette, Michigan
Marquette, Michigan 49955

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Marquette, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the County of Marquette, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Marquette, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Medical Care Facility, which represents 18 percent, 16 percent, and 59 percent, respectively, of the assets, net assets and revenues of the Business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Medical Care Facility, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Marquette, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Chairman and Members
Of the Board of Commissioners
County of Marquette, Michigan
Marquette, Michigan 49955

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2006 on our consideration of the County of Marquette, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 49 and 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Marquette, Michigan's basic financial statements. The combining and individual fund financial statements and schedules, and accompanying schedule of expenditures of federal awards are presented for the purpose of additional analysis as required by OMB Circular A-133 and are not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

April 28, 2006

County of Marquette, Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
Department of Defense:			
<i>Passed through Air Force Conversion Authority:</i>			
Base Caretaker Grant - Fiscal 2005	12.612 Note D	N/A	\$ 545,854
Heating Conversion Grant	12.612 Note D	N/A	219,527
TOTAL DEPARTMENT OF DEFENSE			<u>765,381</u>
Department of Homeland Security:			
<i>Passed through Dept. of Transportation:</i>			
Airport Security Grant	97.067	HSTS-04-A-LEF077	103,137
Public Assistance Grant - Snow Disaster Funds	97.036	N/A	17,284
<i>Passed through Michigan State Police</i>			
2003 Homeland Security Grant	97.004	N/A	31,788
2004 Homeland Security Grant	97.004	N/A	399,764
2004 Homeland Security Exercise Grant	97.004	N/A	1,481
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>553,454</u>
Department of Housing & Urban Development:			
<i>Passed through MI State Housing Dev Authority:</i>			
Community Development Block Grant	14.228	MSC-2003-0743	33,688
Community Development Block Grant	14.228	MSC-2004-0743	170,062
TOTAL DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			<u>203,750</u>
Department of Justice:			
<i>Passed through Office of Justice Programs:</i>			
Byrne Formula Grant	16.579	N/A	18,165
Bulletproof Vest	16.607	N/A	4,812
Domestic Violence Grant	16.589	N/A	23,907
<i>Passed through Office of Drug Control Policy:</i>			
UPSET	16.579	N/A	34,097
TOTAL DEPARTMENT OF JUSTICE			<u>80,981</u>
Department of Agriculture:			
<i>Passed through Michigan Department of Education:</i>			
Bonus commodities	10.550	N/A	445
Entitlement commodities	10.550	N/A	1,435
National School Lunch Breakfast	10.553	N/A	2,665
National School Lunch Program	10.555	N/A	3,094
			<u>7,639</u>
<i>Passed through MI Dept. of Community Health:</i>			
Food Program for Women, Infants & Children (WIC)	10.557	N/A	165,602
<i>Passed through MI Department of Transportation:</i>			
Emergency Services - FEMA	10.904	N/A	30,306
TOTAL DEPARTMENT OF AGRICULTURE			<u>203,547</u>
Department of Health and Human Services:			
<i>Passed through MI Dept. of Community Health:</i>			
Supportive Housing	14.241	N/A	46,838
Bio-terrorism-Focus A	93.283	N/A	75,332
Bio-terrorism-Focus B	93.283	N/A	12,654
Bio-terrorism-Focus E	93.283	N/A	5,523
Bio-terrorism-Focus F	93.283	N/A	49,498
Bio-terrorism-Focus G	93.283	N/A	52,227
Family Planning	93.217	N/A	40,667

County of Marquette, Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
IAP	93.268	N/A	\$ 19,756
IAP - Immunization Representative	93.268	N/A	57,805
IAP - Immunization-Vaccine Federal Shipped	93.268	N/A	285,856
IAP - Immunization-Vaccine Handling	93.268	N/A	1,867
Smoking Prevention	93.283	N/A	101,039
Medicaid Outreach and Advocacy	93.778	N/A	5,920
Breast and Cervical Cancer	93.919	N/A	42,000
Case Management Services	93.994	N/A	10,999
Family Planning Pregnancy Prevention MCHS	93.994	N/A	8,461
Local MCH	93.994	N/A	44,048
Oral Health	93.994	N/A	40,000
<i>Passed through Pathways:</i>			
Alzheimer's Demonstration Project Grant	93.051	N/A	41,569
<i>Direct:</i>			
Special Program for the Aging, Title III, Parts B, D & F	93.043	N/A	33,040
<i>Passed through Department of Human Services</i>			
FOC - Cooperative Reimbursement	93.563	CSFOC-05-52001	460,853
PA - Cooperative Reimbursement	93.563	CS/PA-99-52002	140,555
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,576,507</u>
Corporation for National and Community Service:			
Retired & Senior Volunteer Programs	94.002	440-N182/04	<u>3,383</u>
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>3,383</u>
Department of Transportation:			
Air service Marketing Grant	20.930	N/A	27,447
<i>Passed through MI Bureau of Aeronautics</i>			
Airport Improvement Project	20.106	3-26-0153-1202	1,965,213
<i>Passed through MI Department of Transportation</i>			
Bridge Guardrail and Approach Upgrading	20.205	LL0303	334,336
Force Accounts	20.205	CR426	66,393
Bridge Guardrail and Approach Upgrading	20.205	N/A	28,341
MDOT Negotiated Contracts	20.205	N/A	<u>66,393</u>
TOTAL DEPARTMENT OF TRANSPORTATION			<u>2,488,123</u>
TOTAL EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE			<u><u>\$ 5,875,126</u></u>

COUNTY OF MARQUETTE, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2005

NOTE A – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Marquette, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – OVERSIGHT AGENCY:

The Department of Defense is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the County's federal financial assistance.

NOTE C – PASS-THROUGH GRANTOR'S NUMBER:

The Pass-Through grantor's number represents the Facility's provider I.D. number. Such other I.D. numbers were not available or provided by State administering agencies.

NOTE D – CFDA NUMBER:

No CFDA numbers were assigned to these programs according to the granting agent. We are using CFDA# 12.612 – Community Base Reuse Plans.

NOTE E – ROAD COMMISSION:

During the year ended December 31, 2005, the Road Commission received and expended \$400,729 in federal funding. Projects utilizing this aid were administered by the Michigan Department of Transportation and will be audited for compliance by the State. The State is responsible for including these projects in its schedule of expenditures of federal awards.

NOTE F – AIRPORT IMPROVEMENT PROJECTS:

During the year ended December 31, 2005, the Airport received and expended \$1,965,213 in federal funding. Projects utilizing this aid were administered by the Michigan Bureau of Aeronautics and will be audited for compliance by the State of Michigan. The State of Michigan is responsible for including these projects in its schedule of expenditures of Federal Awards.

COUNTY OF MARQUETTE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2005

Section I - Summary of Auditors' Results

Financial Statements

- Type of auditors' report issued: Unqualified.
- Internal control over financial reporting:
 - No material weaknesses were identified.
 - Reportable conditions were reported (refer to Section II).
- Noncompliance items in the basic financial statements were identified (refer to Section II).

Federal Awards

- Internal Control over major programs:
 - No material weaknesses were identified.
 - No reportable conditions not considered to be material weaknesses were identified.
- Type of auditors' report issued on compliance for major programs: Unqualified.
- There were no audit findings that are required to be reported in accordance with Circular A-133, Section .510(a).

Major Programs

<u>CFDA #:</u>	<u>Name of Federal Program:</u>
97.004	State Domestic Preparedness Grant
10.557	Women, Infants and Children
93.268	Immunizations

- Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- Auditee qualified as low-risk auditee? Yes.

COUNTY OF MARQUETTE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2005

Section II – Financial Statement Findings

- The following noncompliance item was noted:

05-1 Condition: The County was found to be in violation of the legal and contractual provisions of Public Act 621 whereby excesses of expenditures over appropriations existed in certain individual funds as enumerated in Footnote 21 of the financial statements.

Criteria: Internal controls should be in place to ensure expenditures do not exceed appropriations.

Effect: When expenditures exceed appropriations, the County is in violation of Public Act 621 and there is a potential negative impact on the financial position.

Recommendation: The County should monitor expenditures throughout the fiscal year to ensure expenditures do not exceed appropriations.

Management Response: Management concurs.

- The following reportable condition was noted:

05-2 Condition: The County had several funds which contained a cash and investment deficit at year-end.

Criteria: Cash advances and funding of accounts receivable are not being repaid in a timely fashion.

Effect: The advances become permanent working capital loans.

Recommendation: Management should monitor all advances such that they do not become permanent working capital loans.

Management Response: Management concurs.

COUNTY OF MARQUETTE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2005

Section II – Financial Statement Findings (Continued)

05-3 Condition: The County was missing supervisor approvals on 13% of all timesheets, which were tested as part of payroll tests of controls.

Criteria: Supervisor signs all employee timesheets to signify approval.

Effect: The timesheets were not approved for payment of payroll.

Recommendation: That all timesheets be signed by the employee and supervisor to ensure accuracy and approval of timesheet before payment.

Management Response: Management concurs.

Section III – Federal Award Findings and Questioned Costs

- There were no findings and questioned costs relating to the County's major programs.

COUNTY OF MARQUETTE, MICHIGAN
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2005

Section II – Financial Statement Findings

- The following noncompliance item was noted:

04-1 Condition: The County was found to be in violation of the legal and contractual provisions of Public Act 621 whereby excesses of expenditures over appropriations existed in certain individual funds as enumerated in Footnote 21 of the financial statements.

Criteria: Internal controls should be in place to ensure expenditures do not exceed appropriations.

Effect: When expenditures exceed appropriations, the County is in violation of Public Act 621 and there is a potential negative impact on the financial position.

Recommendation: The County should monitor expenditures throughout the fiscal year to ensure expenditures do not exceed appropriations.

Management Response: Management concurs.

- The following reportable condition was noted:

04-2 Condition: The County had several funds which contained a cash and investment deficit at year-end.

Criteria: Cash advances and funding of accounts receivable are not being repaid in a timely fashion.

Effect: The advances become permanent working capital loans.

Recommendation: Management should monitor all advances such that they do not become permanent working capital loans.

Management Response: Management concurs.

Section III – Federal Award Findings and Questioned Costs

- There were no findings and questioned costs relating to the County's major programs.